

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 L-03 CIEP-02 COME-00 TRSE-00

OPIC-12 AID-20 CIAE-00 INR-09 NSAE-00 RSC-01 RSR-01

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R 100721 Z MAR 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 8286

INFO AMEMBASSY DACCA

AMCONSUL KARACHI

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E. O. 11652: N/ A

TAGS: EIND, PK

SUBJECT: ALICO NATIONALIZATION CLAIM

REF: STATE 33072

1. SUMMARY: CHARGE PRESENTED USG POSITION ON PENDING ALICO CLAIM AND EMPHASIZED NEED FOR PROMPT AND SATISFACTORY SETTLEMENT. GOP FINMIN PROMISHED FURTHER PROPMT REVIEW AND REITERATED GOP' S DZWSIRE FOR MUTUALLY AGREEABLE SOULUTION. END SUMMARY.

2. CHARGE DISCUSSED UNRESOLVED ALICO CLAIM IN MEETING WITH FINMIN MUBASHIR HASAN MARCH 10. MEETING HAD BEEN DELAYED BECUASE OF FINMIN' S PREOCCUPATION PAST TWO WEEKS IN FULL- SCALE CONSTITUTIONEL DEBATE IN CONSTITUENT ASSEMBLY, AT WHICH HE HAS BAON ATTENDING MORNING AND AFTERNOON SESSIONS. GOP FINSEC KAZI AND FONOFF NOTE TAKER ALSO ATTENDED MARCH 10 MOOTING.

3. CHARGE HANDED FINMIN AIDE- MEMOIRE MAKING EACH OF POINTS IN PARA 7 A THROUGH F REFTEL. HE ALSO DESCRIBED THE SEVERAL TALKS ON ALICO MATTER IN WHICH HE HAD PARTICIPATED DURING FEB CONSULTATIONS IN WASHINGTON, ALONG LINES PARA 7
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REFTEL. HE EMPHASIZED CONSIDERABLE GOOD WILL WHICH EXISTS IN USG FOR PAKISTAN IN ITS EFFORTS TO REBUILD ITS ECONOMY AND MAKE VARIETY OF REFORMS IN POLITICAL AND SOCIAL SPHERES. CHARGE NOTED VERY SUBSTANTIAL US ECONOMIC ASSISTANCE TO PAKISTAN DURING PAST YEAR, TOTALING ABOUT \$300 MILLION. HE SAID HE CONSIDERED VERY IMPORTANT THAT ALICO MATTER NOT BE ALLOWED TO REMAIN UNRESOLVED AND THUS BECOME A POINT OF CONTENTION BETWEEN OUR TWO GOVERNMENTS. USG APPRECIATED TIME AND ATTENTION WHICH FINMIN HAD GIVEN PERSONALLY TO ALICO ISSUE. WE HAD TAKEN NOTE OF HIS REPEATED EXPRESSIONS OF GOP GOOD FAITH IN DEALCG WITH ALICO QUESTION AND DID NOT QUESTION IT. MATTER WAS ONE OF DIFFERING INTERPRETATIONS ON COUPLE OF MAJOR POINTS. USG HAD COME OUT WITH CLEAR CONCLUSION THAT EFFECTIVE DATE OF NATIONALIZATION WAS MARCH 19, 1972, AND COMPENSATION HAD TO BE BASED ON VALUE OF FIRMS' S REPATRIABLE ASSETS AS OF THAT DATE.

4. FINMIN SAID AT FIRST THAT HE AGREED FULLY WITH FINAL PARAGRAPH OF OUR AIDE- MEMOIRE (WHICH WAS PARA 7 F REFTTEL). HE REITERATED GOP DESIRE FOR MUTALLY SATISFACTORY SOLUTION. THERE WAS SOME EXTENDED DISCUSSION OF DIFFERING VIEWS AS TO DATE OF EFFECTIVE NATIONALIZATION. FINMIN AND FINSEC NOTED PERTINENCE OF GOP LAW ON THIS SUBJECT. CHARGE COUNTERED THAT WE WERE NOT IN POSITION TO INTERPRET GOP DOMESTIC LAW, BUT GOP COULD NOT OVERLOOK EITHER INTERNATIONAL LAW OR USAGE THIS SUBJECT WHICH GOVERNED USG APPROACH THIS QUESTION. FINMIN SAID HE WOULD SEEK FURTHER GOP LEGAL OPINION.

5. FINSEC INTERJECTED THAT KEY QUESTION AT ISSUE CONCERNED AMOUNT OF RUPEES DUE TO ALICO. VALUATION OF FIRM' S ASSETS HERE WAS IN RUPEES. EVEN IF RPT IF EFFECTIVE DATE OF NATIONALIZATION WERE TO BE TAKEN AS MARCH 19, 1972, CONVERSION OF RUPEES INTO DOLLARS WOULD HAVE TO BE MADE AT RATE EXISTING ON DATE OF ACUTAL REMITTANCE. CHARGE REJOINED THAT INTERNATIONAL REQUIREMENT WAS FOR QTE PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION UNQTE BASED ON FIRM' S VALUE AT DATE OF NATIONALIZATION. COULD NOT BE MAINTAINED, THEREFORE, THAT THIS WAS MERELY MATTER OF ALICO' S VALUE IN RUPEES AS OF THAT DATE. TO BE MEANINGFUL, COMPENSATION HAD TO BE MADE ON BASIS OF VALUE IN DOLLARS AS OF NATIONALIZATION DATE; OTHERWISE, COMPENSATION WOULD BE LESS THAN QTE EFFEC- LIMITED OFFICIAL USE

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6. FINMIN SAID HE APPRECIATED INTENSITY OUR CONCERN AND PROMISED TO HAVE MATTER REVIEWED PROMPTLY AGAIN. HE WONDERED WHETHER ALICO REPS WOULD BE PREPARED TO COME OUT FOR FURTHER TALKS. CHARGE SAID HE COULD NOT SPEAK ON BEHALF OF ALICO, BUT OFFERED PERSONAL OPINION THAT THEY WOULD NOT WISH TO COME AGAIN TO PAKISTAN TO ENGAGE IN TYPE OF DETAILED CONVERSATION SUCH AS HAD TAKEN PLACE ON THEIR LAST VISIT; HE THOUGHT THEY WOULD BE PREPARED TO COME IF GOP INDICATED READINESS FOR TALKS BASED ON POSITIVE VIEW OF PRINCIPAL ISSUES AS NOTED IN AIDE- MEMOIRE JUST HANDED TO FINMIN. CHARGE SAID HE WOULD, MEANWHILE, REMAIN AVAILABLE FOR FURTHER DISCUSSION WITH FINMIN OR OTHER GOP REPS AT ANY TIME ON THIS MATTER. MEETING CONCLUDED WITH BOTH SIDES AGREEING ON NEED FOR PROMPT AND SATISFACTORY SETTLEMENT ALICO QUESTION.
DECONTROL MARCH 10, 1975. SOBER

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